

OGC Has Reviewed

OGC 76-2779

26 May 1976

1 JUN 1976

DD/A Registry

File Accounting 2

MEMORANDUM FOR: Deputy Director for Administration

SUBJECT: Domestic Allowances

REFERENCES: A.



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B. Memo to DCI fm DDA, dtd 27 Apr 76, Subj:
Domestic Allowances

1. Via Reference A this Office advised the SSA/DDA that the Director had the legal authority to pay an "addition to compensation" to certain employees [redacted]. Via Reference B the DCI approved such an addition to compensation. The question has now been raised concerning the nature of this compensation and whether the same is, in fact, "compensation" or an "allowance." If the former prevails, the amount paid is subject to additional FEGLI and retirement withholding, credited toward determining an employee's "high three," etc. If the latter prevails, the compensation is taxable and nothing more.

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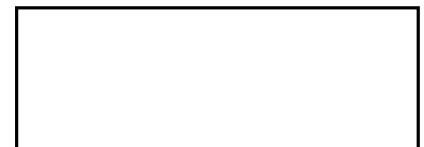
2. Throughout the discussions which culminated in Reference B, there was never any intent that the compensation be anything other than an [redacted] foreign area cost-of-living allowance. In fact, it was only for the purpose of avoiding the possibility of confusing the allowance with these two COLAs that another name for the allowance was chosen -- "an addition to compensation."

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3. Both references make it clear that the compensation is in the nature of an allowance and not meant to be an increase to basic pay or the creation of a "regional pay schedule." See particularly Reference A which sets out four possible solutions to compensate for the high cost of living in [redacted]

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of base salary, the [redacted] and, a "regional pay schedule" (paragraph 7). Via subparagraph 10(c) of Reference B, the Director approved [redacted] to compensation" not a "regional pay schedule." See also paragraph 8 of Reference B which is the joint recommendation of the DDA and the DDO for an "addition to compensation," not a "regional pay schedule."

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4. For purposes of retirement deductions, the same are made on the basic pay of an individual and "basic pay" includes --

* * * *

but does not include bonuses, allowances, overtime pay, military pay, pay given in addition to the base pay of the position as fixed by law or regulation....
5 U.S.C. 8331(3)

Nor does the "addition to compensation" allowance affect "average pay" which "means the largest annual rate resulting from averaging an employee's or Member's rates of basic pay...." 5 U.S.C. 8331(4) (Emphasis added.) The allowance also has no application to FEGLI withholdings.

(a) An employee eligible for insurance is entitled to be insured for an amount of group life insurance, plus an equal amount of group accidental death and dismemberment insurance, in accordance with the following schedule, which schedule shall be automatically extended correspondingly by the amounts of increases in the annual rate of basic pay for positions at level II of the Executive Schedule under section 5313 of this title: ... 5 U.S.C. 8704(a).

5. In short, the benefit is an allowance designed to compensate employees for the cost difference between living in Washington, D.C. and [redacted] It is an allowance, albeit a taxable allowance, but it cannot be considered compensation for other purposes.

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Acting General Counsel

cc: D/Pers
DDO

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DDA Registry
File Accounting -2

Domestic Allowances

John F. Blake
Deputy Director for Administration
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DDA 76-2328

Special Support
Assistant, DDA
Room 7D-16

Brad:

I would like to ask you to undertake the implementation of the approval given by the Director to the attached memorandum of 27 April 1976 on allowances. As you will note, certain authorities are now withdrawn and other new authorities are established. DCI and the

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actions accomplished.

/s/ John F. Blake

John F. Blake

Att: DDA 76-2103

Att: DDA 76-2103 DDA Memo to DCI dtd 27 April; Same Subject

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